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FM AMEMBASSY ASHGABAT
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INFO RUCNCIS/CIS COLLECTIVE
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RUEHLM/AMEMBASSY COLOMBO 0541
RUEHKA/AMEMBASSY DHAKA 0561
RUEHIL/AMEMBASSY ISLAMABAD 2262
RUEHBUL/AMEMBASSY KABUL 1007
RUEHKT/AMEMBASSY KATHMANDU 0277
RUEHNE/AMEMBASSY NEW DELHI 1049
RUEHAST/AMCONSUL ALMATY 5555
RUEHCG/AMCONSUL CHENNAI 0189
RUEHKP/AMCONSUL KARACHI 0238
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RUEHBI/AMCONSUL MUMBAI 0199
RUEHPW/AMCONSUL PESHAWAR 0517
RHMCSUU/CDR USCENTCOM MACDILL AFB FL
RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHINGTON DC//DHO-2/REA/NMJIC-J2//
RHEHNSC/NSC WASHDC
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RUEKJCS/JOINT STAFF WASHINGTON DC//J5/RUE//
RUEKJCS/SECDEF WASHINGTON DC

UNCLAS SECTION 01 OF 02 ASHGABAT 001549

SENSITIVE

SIPDIS

STATE FOR SCA/CEN, EUR/ACE, EEB
AID/W FOR EE/EA

E.O. 12958: N/A

TAGS: [PGOV](#) [PREL](#) [EAID](#) [TX](#)

SUBJECT: TURKMENISTAN: PROMOTING INTERNATIONAL ACCOUNTING
STANDARDS AT TIOGE

REF: ASHGABAT 1328

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11. (U) Sensitive but unclassified. Not for public Internet.

12. (SBU) SUMMARY: On November 19, a technical advisor funded through the USAID-Chevron Global Development Alliance delivered a presentation on "The Role of International Financial Reporting Standards (IFRS) in Encouraging Foreign Investments in Turkmenistan's Oil and Gas Sector" to participants of Turkmenistan's 14th International Oil and Gas Exhibition and Conference. The speaker outlined the differences between international and local accounting standards, and highlighted the growing adoption of IFRS globally, including among extractive industries. Turkmenistan is currently transitioning to IFRS in the banking sector with USAID's support, but has a long way to go before it has the necessary specialists to support a wholesale introduction in the sector. Proposed USG programs to build capacity among oil and gas sector specialists can help support Turkmenistan's short-term needs while longer-term capacity is addressed through introducing IFRS to the higher education curriculum. END SUMMARY

13. (U) The USAID/Deloitte technical advisor, an audit partner in Deloitte/Kazakhstan's Resource Group and the Chairman of the Audit Methodology Committee under Chamber of Auditors of Kazakhstan, first highlighted the difference between IFRS and accounting rules used in

Turkmenistan. He explained that investors feel less confident with information presented in non-IFRS statements and as a result prefer instead to invest in projects with more transparent counterparties. IFRS also reduces investment risks in extractive industries by improving contributions to project profitability over time.

¶4. (U) More than 100 countries across the globe currently require or permit IFRS reporting (including EU, Azerbaijan, Kyrgyzstan, Kazakhstan, Tajikistan). Turkmenistan has not yet transitioned to IFRS, but the Law on Hydrocarbons, passed in 2008, requires international oil companies operating in Turkmenistan to "maintain accounting and submit financial reports in compliance with international practice for accounting and reporting."

¶5. (U) After the presentation, the moderator asked why USAID, as an U.S. government agency, is promoting IFRS in Turkmenistan when the U.S. itself works under Generally Accepted Accounting Principles (GAAP). The technical advisor replied that in August 2008, the U.S. Securities and Exchange Commission (SEC) announced issuance of a proposed IFRS "roadmap" that would include a timetable for mandatory transition in the U.S. from GAAP system to IFRS starting for fiscal years ending on or after December 15, 2014. (COMMENT: U.S. use of GAAP notwithstanding, USAID has been promoting International Accounting Standards (IAS) and/or IFRS in Central Asia and other countries since the late 1990s. END COMMENT)

¶6. (SBU) COMMENT: The introduction of IFRS is a key part

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of the USG's goal to promote an open, diversified, and market-based economy in Turkmenistan, as well as increased U.S. investment and trade volumes. Turkmenistan's Law on Hydrocarbons, passed in 2008, requires international oil companies operating in Turkmenistan to "maintain accounting and submit financial reports in compliance with international practice for accounting and reporting", even if the national staff that will review the reports are not prepared for this task. The State Agency for Management and Use of Hydrocarbon Resources (State Agency) has asked for USAID's assistance in preparing IFRS-compliant financial statements (reftel), as required by the new Hydrocarbons Law. USAID stands ready to respond upon receipt of the formal request through official channels. END COMMENT.

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